

## **Case Study**

**Are self-creating content communities and networks a self-fulfilling prophecy?**

### ***Market Overview - Executive Summary***

Self-creating content communities (or self-creating content networks) are defined as companies that use content generated by users, customers or web site visitors as a significant part of their business.

In pure self-creating content communities, this content is used to drive revenues and to grow the size of the community of users (the network). There are many pure-play self-creating content community applications and websites that are gaining momentum and critical mass. Examples of these sites are [Ryze](#), [Epinions](#), [People on Page](#), [Classmates](#), [Ecademy](#), and the [Always-on network](#), among others. Many of these sites are already popular and profitable because of the low cost of editorial creation and maintenance. The customer is also the contributor of the content that is being sold to others.

In other businesses which use self-creating content communities only as a part of their larger business model, the content is used to replace purchased content in areas where content is not merely added value, but often must exist to drive revenue. The business of using community to drive content and then using the content to fulfill portions of the larger business model has been going on for many years. Ebay and Amazon.com, among many other businesses, use community to fulfill an obvious need for grassroots opinions, ratings and useful feedback. The customers of these businesses utilize these features for networking: finding contacts or learning more about contacts or creating their own personal networks. The businesses themselves use the content as marketing collateral, editorial, buzz, guerilla marketing or for other similar purposes. In all these cases, the existence of the content is seen as a necessary part of the sale.

All of these sites have the same underlying value continuum. In some combination, all of these businesses are made up of these four elements of value creation: information, entertainment, convenience, or savings. No different than in any other online business, yet these sites are paying less for the value they turn around and sell back to the customer.

If you take nothing else from this case study, take that self-creating content communities are gaining in mass and strength. This is because they are all about connecting customers with people who have similar interests; they take advantage of psychographic groupings, while operationally using a low cost method to create differentiated content by its nature.

## **Elements of Community**

*In the following sections of this case study we will discuss elements of online communities that drive adoption and use. These elements include: ease of use, user interface, user profiling, cross-referencing, community development, and creative features.*

## **New Communities**

There are many good books about the pervasive changes to the American community. My favorite is "Bowling Alone" by Robert D. Putnam (2000 Simon and Schuster). This book details trends in the history of physical communities (bowling leagues, church groups, etc.) and discusses how trends in community in America have changed so communities are now based around the workplace or personality types and micro and meta-interests (virtual communities or communities without borders) instead of proximity to geographical bases. The new applications and web properties that we will be discussing use this premise to bring people together, charging for the service; and then use the community to do the work of self promotion and content creation, thus becoming profitable web businesses.

## **Teach or Learn**

There is an old adage that you are either teaching or learning. We believe that this is true in all communities, online and off. There are always people that want to teach. There are also people that are like sponges who always want to learn. Like the bell curve, there is also every gradation in between.

Whether the community is the old neighborhood model, where women came and got their daily water and shared knowledge or the new affinity model, where people come to get technology answers, there are always people who are available to teach and multitudes looking for some kind of knowledge or information. We believe that blogging (ongoing online diary display) and community built around the blogs is part of this major trend of knowledge sharing. We have chosen not to discuss blogging in depth here because of the separate voluminous nature of this topic.

## **Values, Mission, and Vision**

We believe that there are very few (if any) categories in the internet and/or software businesses that make the companies and the users values, mission and vision any more important or visible than the community and network area. The actual conveyance of these areas can be felt in the obvious areas like the utility and features, but also in the companies and users responsiveness to requests for changes, additions, and the rules/ontologies associated with the community itself. The measurement of these areas must be in place to quantify, qualify and prioritize issues and resolutions for the business and users. This must be part and parcel of the communities values for the user and the business to fulfill the maximization of the community. This will add to the viability of the business by creating value in the "hard metrics" (customer acquisition, lifetime value of the customer, etc.) associated with successful franchises.

**80/20**

The age old premise of the 80/20 rule (20% of the users/buyers, account for 80% of the use/purchases) is well founded and has been shown to be true in many areas of online and offline commerce. Our belief through research is that community with robust features and utility can help broaden and add to the 20% of super-users, as well as increase shopping basket sizes and frequency of use and purchases. As increased use and purchase decisions are different, the rate and effectiveness will be inconsistent between the two categories, but a significant uplift in both areas. As alluded to before in a previous section, in this case the super-user/20% are the teachers, and the potential additions are the learners.

### ***Communities' Value Propositions***

Information comes from many sources. The differentiator that is important for community and network users is the inherent personalization in getting the information from a person, a peer, or an individual with a name, as opposed to a search engine or alternative inanimate source. This testimonial from a person has another quality that lends itself to the perception of quality, and that is freshness. The information received from a specific call for information (survey question, query, poll, call for comments) on a self-creating content site is pre-sorted by the criteria defined in the call for information, and also has a current timestamp from the responder. This is very important because of the perceived and real lack of timeliness of some of the information available through other sources online. This appeals to the users' need for convenience (one of the four ways to create value referred to above).

Another valuable aspect of the community is the omnipresence of the information to all users. If a user is in a communal area within a larger community, the user perceives that the level of information will be more specific to his or her needs. The information flowing in front of users is more likely to be useful because it is situated in that specific community area—it is information delivered on that particular subject or category. This creates a “push” atmosphere in the sense that there is a lot of category-specific information flowing in front of the user and the user can pick and choose what to read, and input further information if appropriate. In many of the better community sites the ability to go back and reference the transcript of what was said can be used as an active or passive database of information flow.

The set of communities listed previously is partially representative of the communities that are becoming pervasive. The schemas, ontologies and features that are associated with a site are half the utility of the community. The other half is made up of the users who provide the content. Ryze is an excellent example of a community that has created a robust user profile to identify a user, a detailed feature set to join others with similar interests and a clever cross-referencing model (pivots) through active linking. These pivots work from the premise that if you have interest in one person who has a particular attribute--has worked for Microsoft, for example--that you may have interest in seeing the names and profiles of all users that have worked at Microsoft. The Ryze engine also has a serendipitous feature that actively suggests links to peers while a user is viewing profiles or attributes. The site is also good at promoting new users, developing the Tribe system (online and offline affinity groups) and allowing a transparent or private communication between users through several means--IM, phone, email, and bulletin boards.

## ***Narrowing Verticals***

There are many sites that target vertical market slices or subject-area interest. Although I expect many of the large sites to consolidate, as in the search business, there will be many more demographically based niche players coming into the business. These sites have more specific information and are community-based. Examples are Epinions, Classmates, and People on Page (POP).

[Epinions](#) is a site that is organized around consumer opinions and ratings of products and services. The epinion site is a community site, but its purpose is not networking of its users. It is limited to posting opinions on topics about which a user has in-depth knowledge. In turn, a user can research a peer's knowledge or experiences. For this purpose, Epinions has built out a sophisticated schema for leaving data, ranking categories of products and services, ranking partners and pricing comparisons.

[Classmates](#) is another very specific community based on past affiliations: high school, college, work, or military classes. The schemas, templates and features are very basic, but the obvious draw is the ability to contact and reminisce with people from the user's past. The content created on Classmates and similar sites is non-commoditized because of the exclusivity of the users' information and past affiliations that are leveraged and not available (non-repudiations notwithstanding) elsewhere.

[Three Degrees](#) is a sophisticated synthesis of ideas by Microsoft into a new hip community. This effort is a combination of instant messaging, desktop icons (semiotics), P2P application, digital rights security, and community all combined, for those who have Windows XP and broadband connectivity. The system requirements preclude most of the current potential market, but makes the company poised well for the future. The overall issue in adoption will be that the application is a tragic attempt at generation X and Y hipness, while the most prevalent demographic to upgrade to XP is the older generations. Demographically, Linux would have been a better OS choice.

The [POP](#) website and applications are bifurcated into different areas. The POP World application is based around community members' use of other websites. The POP world software is a downloadable community application (browser toolbar ride-along) that allows for communication between users based on websites visited while the application is running. Depending on the application's data sharing and storage, there may be regulatory issues to do with the software that tracks users or with storing data for use by the company or other users. The software allows users to leave other users site-specific users "graffiti" messages and also allows comments to be left on the website that other users can read later when visiting.

The POP Dating software is a similar application that has a matchmaking component. While, from a utility standpoint, the applications still need many upgrades to user interface, user profile, and features, the overall premise is clever and may have longevity.

## ***Trust***

One of the most crucial aspects of any network or community is mutual respect and trust of the contributors and users. With the seeming glut of information, good and bad, available through an endless stream of outlets, the measures of transparency, visibility, and

accountability within the user profiling and ontology of the network are critical to the integrity of information and the providers of the information.

Transparency gives the user a view into the contributor in order to judge whether an acceptable level of credibility exists in the information offered. The profile of the contributing user helps support (or detract from) the credence of the information. Identity is always an issue in communities due to non-repudiation. Non-repudiation as defined here is proof provided of the integrity and origin of data through an unforgettable means, and/or a verifiable authentication. The most ubiquitous way to deal with the issue of non-repudiation is to charge a fee (payable through credit card or service) for the privilege of giving or receiving information. The theory behind this is that the policy of partially repudiating a participant in a network or community (by matching credit card information, etc.) eliminates most potential issues of identity; though, of course, it does not repudiate the integrity of the individual's knowledge, his/her background, or the information given.

Reciprocal ratings further refine the initial information, either adding or invalidating it. Additionally, reciprocal ratings refine the credibility of participating users for future contributions.

### ***Corporate Uses***

There are many uses for this type of networking within corporate verticals. An example of the utility of this type of community is to create a real world database of customer issues and solutions, as well as an updateable network and ongoing dialogue about the solutions. Some of the more formidable areas for use are education, healthcare, product usage, product review and customer service. In customer service, the concept of community is just catching on with most companies. There are tremendous efficiencies and savings to be found by customer service groups who foster the idea of self-creating content communities and self-service. The obvious cost savings in email and phone representatives are a given. What is a new trend is customers creating the evolving manual of product issues; edited and sanitized by the customer service experts for mass consumption.

### ***Form and Function***

There are many ways to convey and create community through electronic means. Perhaps it happens through your PAN--personal area network created by wi-fi or bluetooth--in a physical place. It also might be the virtual community online that has assets, which you wish to leverage.

There are four ways to create value in any form of community. Those are: savings, convenience, information, and entertainment. All websites and communities, whatever value proposition you choose to test, are made up of some combination of those pieces. These communities that are succeeding are creating value around these aspects relative to the brand by allowing users to connect with other users' information.

A fascinating example of this is the Ryze network, noted above. The Ryze network has built useful and very creative tools for business networking. The overall utility of this application drives a tremendous amount of diverse traffic and uses. A user can see all the new members on one page, then pivot (a clever way to see lists of users based on an attribute) to all the

Ryze users that are associated with a certain company or school, etc. The Ryze network also has Tribes (groups) that members can join based on diverse interests from hiking to entrepreneurship. The Ryze network has efficiently combined the online and offline worlds with physical networking meetings/mixers. These mixers are the equivalent of First Tuesday meetings in technology centers, though with a more casual and general flavor.

## ***Models and Money***

The model for many of these community applications is tiered subscription supplemented by advertising revenue. These models have the added viral effects of being efficient networks, which in turn means they maintain low customer acquisition costs, but have to continue to prove their value to maintain a high lifetime value of the customer. This continued value is mostly maintained in the new members being added constantly; however, the feature set must be augmented to add value along the way.

The Ryze engine, like many others, is based on a tiered subscription payment model. Most of the subscriptions have a monthly payment between \$2.99 to \$20 per month.

On an operational basis, the communities have a lower, more efficient cost structure because the subscribers or users are creating the content at no additional cost to the company besides monitoring and editing. There are also cost advantages and efficiencies in development because in many of the self-generating content sites, the categories and the content become the personalization engine, and the users are the developers of the site as opposed to hired programmers. Some sites even have opened some source code to allow users to add programmable features. The issue of switching costs isn't as pervasive as in some other segments because all of these communities are, or are perceived as being, unique.

Big business is also starting to pick up on this trend; using the concept to cut their customer service costs by leveraging community members to answer product or service usage questions. Thus, they free their customer service representatives from a percentage of incoming questions, saving time and money, and cleverly creating a confirming presence by using "others like me" who have community credibility among their peer customers. Customer service organizations have learned that customers enjoy helping others even for free.

## ***Conclusion***

The issues of adoption and use are especially interesting in the community and network markets because they are driven by extensive--even viral--communication. The communication modes and values that we've discussed—such as visibility and transparency--will drive adoption and use and potentially drive customer acquisition through switching (users who change services to get better features or a bigger network of users or data).

Remember the discussion of users teaching and learning: the chicken and egg issue is that there is a need for learners and for teachers to adopt and continue using a service, and vice versa. With many of the commoditized community services, switching costs will be an important issue because there will be switching by groups in many cases instead of just individuals.

The most important real non-commodity feature a community has to offer is its users. Other services that duplicate or create a community with more features will succeed only if they can get a good amount of the community's groups to switch, since the users are used to seeing and communicating with each other as an entity. As opposed to other switching cost models, this trend will show larger swings in adoption and switching. The monitoring and modification of metrics like customer acquisition cost, switching costs, and overall churn will determine success or failure.

### **Referenced Company's Website URLs**

Always-on-network: <http://www.alwayson-network.com/>

Classmates: <http://www.classmates.com/>

Ecademy: <http://www.ecademy.com/>

Epinions: <http://www.epinions.com/>

PeopleOnPage: <http://www.peopleonpage.com/>

Ryze: <http://www.ryze.com/>

Three Degrees: <http://www.threedegrees.com/>

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The Clauss Group consults in online and offline analysis, delivery, and measurement of strategies, product and marketing plans. The company also analyzes and develops processes and risk management profiles with respect to strategies and planning.